Local Government Mandate Statement Kentucky Legislative Research Commission 2020 Regular Session

Part I: Measure Information

Bill Request #: 484			
Bill #: HB 210			
Document ID #: 109	97		
Bill Subject/Title: AN ACT relating to natural resources severance and processing taxes.			
Sponsor: Representa	ative Jim Stewart III		
Unit of Government:		x County x Consolidated Local	x Urban-County Unified Local x Government
Office(s) Impacted:			
Requirement:	Mandatory Opt	tional	
Effect on Powers & Duties:	Modifies Existing	Adds New E	lliminates Existing

Part II: Bill Provisions and the Estimated Fiscal Impact Relating to Local Government

This bill eliminates the transportation deduction from the natural resources severance and processing tax.

ESTIMATED FISCAL IMPACT

This bill would have no fiscal impact in fiscal year 2019-2020 because the law would not go into effect until July 1, 2020.

The elimination of the transportation deduction from the natural resources severance and processing tax should increase total revenue from the severance and processing tax by \$3.85 million in fiscal year 2020-2021. Half of this amount, \$1.925 million, would be transferred to the Local Government Economic Assistance Fund, with the other half remaining with the General Fund. This estimate is based on the Tax Expenditure Analysis estimate of \$4.2 million for transportation expense in fiscal year 2020-2021. This number

was reduced to \$3.85 million because only eleven (11) months of revenue will be collected in fiscal year 2020-2021 due to a one month lag in receipts.

The elimination of the transportation deduction from the natural resources severance and processing tax should increase total revenue from the severance and processing tax by \$4.2 million in fiscal year 2021-2022. Half of this amount, \$2.1 million, would be transferred to the Local Government Economic Assistance Fund, with the other half remaining with the General Fund. This estimate is based on the Tax Expenditure Analysis estimate of \$4.2 million for transportation expense in fiscal year 2021-2022.

The local impact will be limited to those cities and counties receiving distributions from the local government economic assistance fund (LGEAF) pursuant to KRS 42.470(2) and 42.475. These are limited to counties where limestone is severed or processed. The severance tax collected on natural resources is allocated equally to the general fund and the LGEAF. The LGEAF portion is distributed among cities and counties according to the amount of tax collected in each county.

Part III: Differences to Local Government Mandate Statement from Prior Versions

Part II, above, pertains to the bill as introduced.

Data Source(s): Tax Expenditure Analysis 2020-2022, LRC Staff

Preparer: Kevin Branscum **Reviewer:** KHC **Date:** 1/10/20